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United States General Accounting Office

**Briefing Report to the Chairman,
Committee on the District of Columbia,
House of Representatives**

March 1990

D.C. GOVERNMENT

Status of Transferring Saint Elizabeths Hospital to the District of Columbia



94-19999



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United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-237131

March 26, 1990

The Honorable Ronald V. Dellums
Chairman, Committee on the District
of Columbia
House of Representatives

Dear Mr. Chairman:

This report contains the information you requested concerning the implementation of certain parts of the Saint Elizabeths Hospital and District of Columbia Mental Health Services Act (Public Law 98-621), which transferred ownership and operating responsibility for Saint Elizabeths from the federal government to the District of Columbia. Responses to your specific questions are summarized in this letter. Detailed responses to each question are contained in appendices I through VI.

BACKGROUND

Public Law 98-621 provided that effective October 1, 1987, the District of Columbia would assume responsibility for selected functions, programs, and resources of Saint Elizabeths Hospital and establish a comprehensive mental health care system no later than October 1, 1991. The act also provided funding for the transition by authorizing direct federal appropriations for 6 fiscal years (1986 through 1991) and grants from the Department of Health and Human Services (HHS) for 4 fiscal years (1988 through 1991). Further, the act required the District to assume a greater share of the financial responsibility during the transition period but did not define that requirement in specific terms.

On October 1, 1987, the District assumed responsibility for Saint Elizabeths Hospital and for providing mental health services to District residents who were, at that time, at Saint Elizabeths. The Commission on Mental Health Services (CMHS) was created within the District's Department of Human Services (DHS) to be responsible for these services. It took over responsibility for comprehensive mental health services which were previously housed in the District's Mental Health Services Administration. The act was based on a commitment to community-based, noninstitutional care for patients.

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Under this concept, the inpatient population of Saint Elizabeths is expected to decline as community group homes and mental health centers assume more of the patient load.

RESULTS

The CMHS Commissioner told us that the implementation of Public Law 98-621 is at least 1 year behind the schedule necessary to provide a comprehensive community-based mental health system by October 1, 1991. He attributes the delay to problems in transitioning from federal to District control, unexpected increases in the Saint Elizabeths population, and both underfunding and inadequate flexibility to allocate and reallocate funds among programs. According to the Commissioner, activities that have been adversely affected include services for children and youth, services for special populations such as Hispanics and the deaf, and the resident out-placement program.

Despite these problems, both the CMHS Commissioner and its Administrator said that progress is being made. On December 21, 1988, after a survey of CMHS operations, the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) awarded CMHS accreditation.¹ Also, according to CMHS officials, JCAHO's August 1989 follow-up review showed that out-of-compliance items had been reduced to 21 items from the 204 reported in December 1988.

With regard to your specific questions:

1. Have the District and federal governments fulfilled their funding obligations as federal funding has been reduced?

The federal government, in fiscal years 1988 and 1989, did not provide the full amounts of funding authorized in Public Law 98-621 because of constraints imposed by the Balanced Budget and Emergency Deficit Control Act of 1985, otherwise known as Gramm-Rudman. For example, in fiscal year 1988 direct appropriations to the District were \$28.7 million, not the \$30 million authorized by the act. Similarly, HHS made grants of only \$28.7 million rather than the \$30 million authorized. Thus, the

¹Congress expressed its intent in Public Law 98-621 that CMHS maintain its accreditation. A JCAHO accreditation survey assesses a mental health institution against standards addressing such areas as staff qualifications, physical safety, and record keeping.

federal funding represented 96 percent of the authorized amount. At the District level, the Mayor requested \$159.8 million for CMHS in fiscal year 1988, but the District's final approved CMHS budget was \$152.1 million. Similarly, in fiscal year 1989, the Mayor requested \$157.9 million and the District approved \$154.3 million. Thus actual funding to CMHS represented 95 percent of the Mayor's request in fiscal year 1988 and 98 percent in fiscal year 1989.

2. Is the District's Commission on Mental Health Services' estimate of \$25.5 million in additional federal funds for capital projects complete?

The July 1989 CMHS estimate of a need for \$25.5 million in additional federal funds for capital projects is incomplete. It does not include an estimated \$16 million for removing asbestos and PCB transformers from Saint Elizabeths. CMHS was not able to include these estimates because cost data were not available when it prepared the capital projects estimate. Further, at the time of our review CMHS had not yet developed a detailed justification for \$10 million of its \$25.5 million estimate.

3. Is the federal government maintaining the clinical training program at Saint Elizabeths?

The federal government is not maintaining the clinical training program at CMHS. HHS' General Counsel determined, and we agree, that the act does not obligate the federal government to fund the program. However, the clinical training program is currently supported with CMHS funds.

4. What is the status of CMHS' staffing and staff licensing?

CMHS has worked to insure its staff meet District licensing requirements. On July 27, 1989, the Mayor signed District Act 8-69, which enabled unlicensed clinical staff to obtain District licenses that are valid for the sole purpose of working at CMHS. As of March 16, 1990, there were 11 clinical employees, all of whom had licenses in other jurisdictions, who were unlicensed in the District. All of these employees had applied for a license, and licenses are expected to be issued in April 1990.

While CMHS has had staff shortages since October 1, 1987, such shortages only recently threatened its Medicare certification. For the short term, CMHS has hired or transferred sufficient staff and taken other steps to

maintain its certification. These steps include hiring additional support staff to free nurses from nonmedical duties and improving internal medical record keeping. For the long term, moving to a community-based mental health system will help to alleviate some staffing problems, according to CMHS officials, because the need for specialized staff at Saint Elizabeths will be lower.

5. Has a determination been made on whether Saint Elizabeths firemen will be part of the District's fire department or CMHS?

An August 7, 1989, agreement between CMHS and the District fire department resolved the question of whether the firefighters at Saint Elizabeths would be members of the District's fire department or CMHS employees. It provided that the firefighters would remain CMHS employees, but they would be trained by the District's fire department.

6. Were supplies that were specifically stocked by the U.S. Department of Health and Human Services for the Saint Elizabeths transition used by other District of Columbia agencies?

Some supplies, such as 200 beds transferred to Lorton Prison and other supplies used to repair District facilities, were originally transferred from CMHS to other District agencies by the CMHS Supply Management Officer. However, in March 1988, procedures were changed so that no transfers can be made without the approval of the CMHS Commissioner. The CMHS Commissioner now approves transfers, and CMHS is reimbursed by the receiving agency. Under this procedure, CMHS provided \$88,700 in supplies in fiscal year 1989 to other District agencies.

OBJECTIVES, SCOPE, AND METHODOLOGY

In order to answer the Committee's questions, we interviewed District officials from CMHS, DHS, the fire department, and the Controller's Office and federal officials from HHS. We also reviewed District financial statements, purchase orders, personnel reports, statistical reports, and the District's mental health system implementation plan. Further, we reviewed documents from HHS and the JACHO report on CMHS. We also determined whether federal funding of training at CMHS was within the intent of Public Law 98-621.

Our analysis of capital projects funding was limited to reviewing existing cost estimates for completeness. We did not evaluate whether the scope of those capital

projects was adequate to meet the health care needs at Saint Elizabeths or whether those projects were justified. We also did not verify the accuracy of computer-generated data provided by CMHS. We did our work between February and December 1989 in accordance with generally accepted government auditing standards.

AGENCY COMMENTS

The U.S. Public Health Service and the District of Columbia government, in commenting on a draft of this report, concurred with the general background and findings. Overall, both agencies discussed the status of the implementation of Public Law 98-621 and their particular views as to how remaining implementation should proceed.

However, both agencies commented on capital funding under Public Law 98-621, which was beyond the scope of our work. As discussed in appendix II, we were asked only to assess the completeness of CMHS' estimate that \$25.5 million in federally provided capital funding is needed to complete the transition. We were not asked to assess the federal government's past capital funding nor its responsibility for future capital funding under Public Law 98-621.

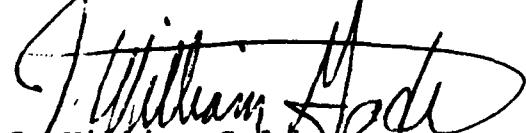
The complete comments of the U.S. Public Health Service and the District of Columbia government are in appendices VII and VIII, respectively.

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As arranged with the Committee, we plan no further distribution of this report until 30 days after the date of issuance, unless you publicly announce its contents earlier. At that time, we will send copies to interested parties and make copies available to others upon request.

The major contributors are listed in appendix IX. If you have any questions regarding this report please contact me on 275-8387.

Sincerely yours,



J. William Gadsby
Director, Federal Management Issues

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ABBREVIATIONS

CMHS	Commission on Mental Health Services
DCFD	District of Columbia Fire Department
DHS	Department of Human Services
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
JCAHO	Joint Commission on the Accreditation of Healthcare Organizations

HAVE THE FEDERAL AND DISTRICT GOVERNMENTS FULFILLED
THEIR FUNDING OBLIGATIONS AS FEDERAL FUNDING HAS BEEN REDUCED?

For fiscal years 1988 and 1989, both federal and District funding has been somewhat below levels authorized or requested for the operation of the Commission on Mental Health Services (CMHS).

FEDERAL FUNDING HAS BEEN LESS
THAN AUTHORIZED

The act authorized specific federal funding levels for direct appropriations and Department of Health and Human Services (HHS) grants during the transition period. However, as shown in table I.1, both have been less than authorized.

Table I.1:
Federal Authorized and Appropriated
Funds for CMHS
(in millions)

	<u>Fiscal year 1988</u>		<u>Fiscal year 1989</u>	
	<u>Authorized</u>	<u>Appropriated</u>	<u>Authorized</u>	<u>Appropriated</u>
Direct appropriations	\$30	\$28.7	\$20	\$19.7
HHS grants	<u>30</u>	<u>28.7</u>	<u>24</u>	<u>23.7</u>
Totals	<u>\$60</u>	<u>\$57.4</u>	<u>\$44</u>	<u>\$43.4</u>

According to officials at CMHS and HHS, the difference between authorized and appropriated amounts for both fiscal years resulted from constraints imposed by the Balanced Budget and Emergency Deficit Control Act of 1985, otherwise known as Gramm-Rudman.

DISTRICT FUNDING LEVELS
LOWER THAN BUDGET REQUESTS

Public Law 98-621 required the District to "...gradually assume a greater share of the financial responsibility for provision of mental health services provided by the system." As shown in table I.2, the CMHS fiscal year 1989 budget was slightly greater than the fiscal year 1988 budget. However, the District has funded CMHS' budget at a lower level than requested by the Mayor for both years.

Table I.2:
CMHS' Requested and Approved Budgets
 (millions)

	<u>Mayor's request</u>	<u>Approved budget</u>	<u>Difference</u>
1988	\$159.8	\$152.1 ^a	\$7.7
1989	157.9	154.3	3.6

^aDoes not include a \$3.4 million supplemental to fund a pay raise.

CMHS' Fiscal Year 1988 Budget Experience

In fiscal year 1988, CMHS received an approved budget of \$152.1 million, which was supplemented with \$3.4 million to fund a pay raise. However, it spent only \$146.1 million.

CMHS did not spend all budgeted funds because of a variety of factors. One factor, according to the CMHS Administrator, was the hiring freeze imposed to deal with the District's projected fiscal year 1988 budget deficit. The District imposed a hiring freeze for part of fiscal year 1988 on all job classifications at CMHS except those in the clinical area. At the time of the freeze, CMHS had selected, but not hired, 113 individuals to fill nonclinical vacancies.

A second factor was that CMHS officials assumed that procurements and other proposed actions sent to the Department of Human Services (DHS) and the District for execution were approved unless they were otherwise notified. This assumption proved to be incorrect. CMHS officials said that after the fiscal year 1988 independent audit of the District began, they learned that certain proposed actions had been disapproved at the DHS and District levels. The CMHS financial officer said they did not complete planned expenditures for supplies and major equipment as well as for the personnel discussed above.

CMHS officials also told us they were not aware that the CMHS budget was supplemented by \$3.4 million to fund a pay raise. Only in July 1989, after we requested that DHS verify CMHS' budget, did CMHS officials learn from DHS that they had been allocated the supplemental funding. Consequently, CMHS funded the pay raise from the \$146.1 million.

CMHS' Fiscal Year 1989 Budget Experience

For fiscal year 1989, CMHS' approved budget was \$154.3 million. However, according to the CMHS financial officer, it absorbed a

APPENDIX I**APPENDIX I**

\$2.9 million cut due to the District's potential overall deficit, thus bringing available funds to \$151.4 million. He said the cut will reduce expenditures for personnel and such equipment as a new trash truck and ambulance. The CMHS Administrator said that CMHS will not know for sure how much was spent until the independent audit of the city is complete. However, he does not expect as large a difference between budget and expenditures as in fiscal year 1988 because of a better understanding of the District's operations.

IS THE COMMISSION ON MENTAL HEALTH SERVICES'
ESTIMATE OF \$25.5 MILLION IN ADDITIONAL
FEDERAL FUNDING NEEDS COMPLETE?

CMHS estimates it needs an additional \$25.5 million in federal funds for capital projects, such as renovating buildings on the Saint Elizabeths campus and acquiring the off-campus facilities needed to move to the community-based system. While otherwise complete, the CMHS estimate does not include approximately \$16 million required to remove asbestos and PCB transformers from various buildings at the Saint Elizabeths campus.

Amount Needed to Meet Capital Funding Requirements

As of June 1989, CMHS had received a total of \$36.0 million in federal and District funds for capital projects. This included \$26.8 million provided by HHS to fix national and District building code violations that had been identified by HHS in 1986 at Saint Elizabeths. It also included \$9.2 million provided by the District for capital projects, such as the renovation of the Hurt Home and the Region I Community Mental Health Center. The District's funding was directed at assisting the move to a community-based system.

In July 1989, CMHS reviewed its capital funding requirements and identified the need for from \$23.5 to \$25.5 million in additional federal funds and \$6.0 million in District funds. The funding would be used to convert the Nichols and Haydon buildings from patient care to office use and to acquire community-based facilities. This estimate brings the total identified funding for conversion, fixing code violations, and acquiring community-based facilities to \$67.5 million. According to the CMHS Commissioner, without the additional federal funding CMHS will have to defer renovation projects, originally to be funded by the \$26.8 million from HHS, in order to fund the Nichols and Haydon buildings conversion.

We reviewed CMHS' \$25.5 million cost estimate. Of the total, \$10 million is to be used to acquire community-based facilities, such as housing for deinstitutionalized patients. But CMHS had no detailed estimates of housing initiatives for us to review.

Our review of the detailed cost estimate for the remaining \$15.5 million for the Nichols and Haydon conversions found that the estimate included appropriate cost estimation elements, such as overhead, profit, design fee, and contract administration fee. However, the removal of asbestos and PCB transformers from various buildings, including Nichols and Haydon, had been omitted. According to the CMHS Administrator, the actual costs

APPENDIX II**APPENDIX II**

will depend on whether CMHS has to remove asbestos and PCB transformers from both Saint Elizabeths' east and west campuses or only the east campus, where hospital and headquarters operations are to be consolidated. If CMHS has to remove asbestos and PCB transformers from both campuses, the Administrator believes the total costs would be about \$16 million, \$12 million for asbestos removal and \$3 to \$4 million for PCB transformers.

The Administrator said he did not include the \$16 million in his July 1989 estimate because the complete cleanup costs were not available at that time. In addition he was not sure how much longer CMHS would need the west campus.

IS THE FEDERAL GOVERNMENT MAINTAINING THE
CLINICAL TRAINING PROGRAM AT SAINT ELIZABETHS?

Both Public Law 98-621 and its accompanying House Report contain language supporting the continuation of federal research, training, and demonstration programs at Saint Elizabeths. However, the federal government is not maintaining the clinical training program, and HHS has concluded that there is no legal mandate for continued federal involvement.

Section 2(b) of Public Law 98-621, part of the policy section of that statute, provides that "...The federal government continue high quality mental health research, training and demonstration programs at Saint Elizabeths Hospital." The House Committee on the District of Columbia report accompanying Public Law 98-621 contained language endorsing continued federal funding for the clinical training program. The report said the federal government should "...continue to operate and fully fund quality mental health research, training, and demonstration programs of national character, such as those currently being conducted at Saint Elizabeths Hospital."

HHS has determined that the act imposes no legal funding obligation on the federal government. In his October 1986 review of an HHS status report on the transfer of Saint Elizabeths, the HHS General Counsel said that "In our view, the transfer statute, Pub. L. 98-621, does not obligate the Federal Government to fund any training programs at the hospital following its transfer to the District..."

Our review of the legislation supports the HHS legal opinion. We determined that the language of the act as well as the legislative history indicates congressional intent to continue federal involvement in Saint Elizabeths' training following the transition. However, the statutory language does not by its terms mandate federal participation in these programs. The statute describes continued federal involvement in the programs as an object of congressional intent rather than a legal requirement. Further, the provision is located in the policy section of the statute. It is a well settled principle of statutory construction that the policy section of a statute serves to articulate the purposes and reasons behind enactment of a piece of legislation rather than to establish binding requirements.

Without federal funding, the clinical training program continues because CMHS funds the annual cost of about \$4.4 million. However, according to HHS and CMHS officials, the health research and demonstration programs are being maintained by the National Institute of Mental Health.

WHAT IS THE STATUS OF CMHS
STAFFING AND STAFF LICENSING?

Since inception, CMHS has worked to address staffing problems associated with the transition to the District. As of October 1989, it had resolved the problems associated with the staff licensing issue but had not resolved its staff shortage problems.

Staff Licensing Issue Resolved

Public Law 98-621 required that employees being transferred from federal to District employment meet all District license requirements within 18 months of the October 1, 1987, transition date--March 31, 1989. According to a CMHS official, as of April 7, 1989, 47 CMHS clinical employees had not yet obtained District licenses.

To address the licensing issue, the District took two actions in 1989 that were accepted after congressional review. On April 17, 1989, the Mayor signed District Act 8-23 temporarily extending the March 31, 1989, deadline by 225 days to January 18, 1990. On July 27, 1989, the Mayor signed District Act 8-69, which permanently changed the deadline to December 31, 1989. This act also allows CMHS employees who were employed at Saint Elizabeths prior to October 1, 1987, and do not meet all District licensure requirements to be issued a limited license. The limited license will be subject to the provisions, limitations, conditions, or restrictions established by the appropriate review board or commission. It also would be valid only as long as the employee worked for CMHS.

According to a CMHS official, each clinical employee not currently holding a District license would be eligible for licensing under this act. The official said that as of March 16, 1990, 11 clinical employees licensed in other jurisdictions but still unlicensed in the District had applied for a license under the act. The official expects licenses to be issued in April 1990. These clinical employees will be required to maintain their licenses in other jurisdictions.

Recurring Staffing Problems Exist at CMHS

CMHS has experienced staffing problems since it was established in October 1987, when 419 Saint Elizabeths staff took early retirement before the transition from the federal to the District government. Several outside reviews of CMHS operations have found continuing staff shortages. JCAHO surveys in 1988 and 1989 found insufficient staff coverage by nursing personnel, activity therapists, and support staff. Further, on August 9,

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1989, the Health Care Financing Administration (HCFA) advised CMHS that it would lose its Medicare certification on December 5, 1989, unless it resolved certain staff shortages in providing institutional psychiatric services.

The CMHS Commissioner said that critical shortages of registered nurses, physicians, activity therapists, medical technologists, and certain skilled workers cannot be eliminated as long as CMHS operations continue to be dominated by institutional-based mental health services. He believes CMHS will have to operate with vacancy rates of 10 to 20 percent in these disciplines in the near future.

CMHS has taken some actions to meet the immediate problems of maintaining its Medicare certification. It began hiring registered and practical nurses and psychiatric nursing assistants and transferred registered nurses from residential care to those treatment areas covered by Medicare. It also hired additional support staff to free nurses from nonmedical duties and improved internal medical record keeping. HCFA resurveyed CMHS in November 1989 and determined that CMHS marginally met the staffing requirements but still had medical record keeping deficiencies. HCFA extended CMHS' medicare certification for 1 year but warned that CMHS must maintain its forward momentum. Further, HCFA required CMHS to report at 60-day intervals on its efforts to increase the number of hospital staff.

The CMHS Commissioner and its Administrator believe that the long-term solution for staffing problems is progress toward a community-based mental health system. A community-based system, providing noninstitutional care, will require more social workers and fewer hospital personnel, and officials believe that there is an adequate pool of social workers to meet CMHS needs. In our opinion, a major determinant of progress toward this goal will be the level of continued funding support.

HAS A DETERMINATION BEEN MADE
ON WHETHER THE SAINT ELIZABETHS FIREMEN WILL
BE PART OF THE DISTRICT'S FIRE DEPARTMENT OR CMHS?

Pursuant to the coordination agreements between CMHS and the District of Columbia Fire Department (DCFD), the firefighters at Saint Elizabeths will remain as part of CMHS and be trained by DCFD.

At the time of the transition, the Saint Elizabeths firefighters became CMHS employees detailed to DCFD. Under a September 29, 1988, agreement between CMHS and DCFD, CMHS assumed responsibility for the operation of a Fire Prevention Unit on the Saint Elizabeths campus. On August 7, 1989, a Program Coordination agreement was signed to implement the September 1988 agreement. Under the August 1989 agreement the firefighters will remain part of CMHS. According to the CMHS Administrator, the firefighters will have job descriptions and a retirement plan comparable to what they had when they were federal employees, but they will have a slightly higher pay structure. Their titles will change to Emergency Response Specialists. The August 1989 agreement also requires DCFD to provide training to the CMHS firefighters. According to a CMHS official, as of August 23, 1989, 12 firefighters were attending DCFD training classes.

WERE SUPPLIES THAT WERE SPECIFICALLY STOCKED BY DEPARTMENT
OF HEALTH AND HUMAN SERVICES FOR THE SAINT ELIZABETHS
TRANSITION USED BY OTHER D.C. AGENCIES?

Some CMHS supplies have been transferred to other District agencies. Initial transfers were authorized by the CMHS Supply Management Officer. Since March 1988, however, such transfers must have the CMHS Commissioner's approval.

The CMHS Supply Management Officer told us that before March 1988, he authorized the transfer of some supplies to other District agencies. For example, 200 excess beds were sent to Lorton and some supplies were used to repair other facilities within DHS.

However, procedures were changed in March 1988, and no transfers are to occur without the approval of the CMHS Commissioner. The Commissioner said he has authorized some transfers. For example, CMHS transferred 500 cots to DHS' Commission on Social Services and received \$22,000 in return. According to the financial officer, CMHS provided \$88,700 in supplies to the District agencies in fiscal year 1989 under the new procedure and has been reimbursed for this amount.

**COMMENTS FROM THE
U.S. PUBLIC HEALTH SERVICE**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Rockville MD 20857

FEB 27 1980

Mr. Richard L. Fogel
 Assistant Comptroller General
 United States General Accounting Office
 441 G. Street, N.W., Room 3858
 Washington, D.C. 20548

Dear Mr. Fogel:

Enclosed are the Public Health Service's (PHS) comments on your draft report "Status of Transferring Saint Elizabeths to the District of Columbia." The comments represent the tentative position of PHS and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Wilford J. Forbush".

Wilford J. Forbush
 Director
 Office of Management, PHS

Attachment

COMMENTS OF THE PUBLIC HEALTH SERVICE ON THE GENERAL ACCOUNTING
OFFICE DRAFT REPORT "DC GOVERNMENT: STATUS OF TRANSFERRING
SAINT ELIZABETHS TO THE DISTRICT OF COLUMBIA,"
JANUARY 25, 1990

General Comments

We concur with and supports the general background on which the General Accounting Office (GAO) draft report is based.

The transfer of Saint Elizabeths Hospital (Hospital) reflected the intent of the Congress that the District of Columbia (D.C.) operate a high quality, integrated community-based public mental health system which meets the needs of the local population.

Public Law (P.L.) 98-621, "Saint Elizabeths Hospital and District of Columbia Mental Health Services Act" provided for significant changes in Federal jurisdiction and in the structure and purpose of the Federal budget for the Hospital. The most basic change was from direct support of hospital functions to the provision of a series of declining transitional grant payments through Fiscal Year (FY) 1991 to assist D.C. in the assumption of full operations and controls. P.L. 98-621 also encouraged extensive collaboration and authorized Federal payment to assist in the transition from Federal to D.C. administration of the Hospital and the payment to satisfy fully the Federal Government's responsibilities mandated regarding renovation, personnel transfer, and maintenance of the Hospital campus.

The Department believes that responsibilities required and specified in P.L. 98-621 have been substantially completed, and/or commitments and plans initiated for full compliance by the end of the financial transition period terminating in 1991.

Our specific comments are limited only to those questions pertinent to the Federal Government responsibilities contained in the report as follows:

GAO Question

- 1) Have the District and the Federal Governments fulfilled their funding obligations as Federal funding has been reduced?

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Department Comment

We concur in the GAO statement on the Federal grant subsidy to the District's Commission on Mental Health Services. FYs 1988 and 1989 budget requests were submitted for the full amounts authorized in P.L. 98-621. As GAO notes, both years were subjected to Congressional enacted adjustments to the appropriations for payment of the Federal obligations for operations of the Hospital.

GAO Question

2) Is the District's Commission on Mental Health Service' estimate of \$25.5 million in additional Federal funds for capital projects complete?

Department Comment

Pursuant to the transfer legislation, the Federal Government provided the D.C. Government with sufficient funds (\$26.8 million) to bring the physical plant into compliance with all relevant national and District building codes. This provision applies to all hospital facilities which the District indicated that it would assume for use within the mental health treatment system. The conversion of Nichols and Hayden buildings to office space and the renovation of community-based facilities are not mandated as part of the HHS responsibility under requirements of P.L. 98-621. This rationale is based on the fact that funding was provided for repairs and improvements to buildings identified in the District's Congressional approved System Implementation Plan including \$4,574,000 to renovate Nichols and Hayden buildings for patient use. To the extent that further changes are now proposed for the permanent mental health system, determinations should be made exclusive of HHS to the extent that additional buildings are required by D.C., and funds so appropriated by D.C.

The estimated cost of \$16 million for removal of asbestos and PCB transformers should be based on the future use of the West campus by D.C. PHS has already included \$1,326,000 for asbestos and lead paint removal as part of the \$26.8 million code compliance funding for buildings on the East campus. The buildings on the West campus were not required by D.C. to operate the comprehensive mental health system and therefore were not included in the Federal Government's payment to D.C.

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In compliance with current EPA regulations, we are working with D.C. on a cooperative effort to remove the PCB transformers from the West campus.

GAO Question

3) Is the Federal Government maintaining the clinical training program at Saint Elizabeths?

Department Comment

We concur in the GAO statement and findings in response to this question. GAO agrees that P.L. 98-621 does not obligate the Federal Government to fund the clinical training program at St. Elizabeths.

**COMMENTS FROM THE
DISTRICT OF COLUMBIA GOVERNMENT**



**THE DISTRICT OF COLUMBIA
WASHINGTON, D.C. 20004**

MARION BARRY, JR.
MAYOR

March 12, 1990

Mr. Richard L. Fogel
Assistant Comptroller General
United States General Accounting
Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Fogel:

Thank you for providing copies of your draft report, D.C. Government: Status of Transferring Saint Elizabeths Hospital to the District of Columbia. The GAO findings were carefully reviewed by the Department of Human Services which prepared specific comments enclosed with this letter as a separate report.

In general, we are in agreement with the findings of the report and have taken the opportunity to discuss their potential implications for the upcoming House District Committee Oversight Hearing.

If you have any questions about the comments or specific issues, you may wish to contact the Commissioner of the Commission on Mental Health Services, Dr. Robert A. Washington, on 373-7276.

Again, thank you for providing the opportunity to review your report before its publication.

Sincerely,

Carol B. Thompson
Marion Barry, Jr.
for Mayor

Enclosure

Comments On GAO Draft Report
D.C. Government: Status of Transferring
of Saint Elizabeths to the District of Columbia

The District Government concurs with the findings described in the Draft Report. Most of the information contained therein was provided to GAO by the Department of Human Services (DHS) and staff of the Commission on Mental Health Services (CMHS).

Our remaining comments deal primarily with the context for this Report and the effect of various findings on outcomes potentially resulting from the House District Committee Oversight Hearing now planned for the end of March.

We agree that the transition contemplated in P.L. 98-621 (Act) is at least one year behind schedule. The reasons for the delay are accurately described in the Report. The effect of the delay has been to create a budgetary position for CMHS wherein assumed reductions in institutional programs consistently are being implemented in budget planning before the savings are actually achieved. As a result, the Commission experienced a deficit in its FY 1989 budget and expects another deficit in FY 1990.

The problem of inadequate staffing is also exacerbated by retention of institutional census. As described in the Report, staffing problems reached critical proportions because approximately 410 SEH staff took advantage of early retirement opportunities created by the Act. Early retirement was included in the Act because it was assumed that significant inpatient census decreases would have been achieved which would reduce the number of staff necessary to implement the transfer. Since this did not occur, staff shortages have resulted in skyrocketing use of overtime and serious problems with retention of Medicare and Medicaid certification. In order to retain certification - necessary to receive annual revenues of about \$25 million - additional staff have been diverted from residential programs to the inpatient programs comprising the Hospital's Distinct Part.

If census reductions had been achieved, the level of staffing shortage would be much lower, if census reductions are achieved, this problem will be substantially eliminated in the future.

In addition to deficit spending, delays in implementing the transition have resulted in the unavailability of funds derived from institutional savings for the outplacement initiatives originally envisioned to accomplish the Commission's census reduction goals. This represents a classic "cart-before-the-horse" or "chicken-and-egg" problem for the Commission. It requires funds to stimulate the development of affordable housing to accomplish outplacements which are theoretically to be derived from institutional savings resulting from those outplacements.

Lack of institutional savings coupled with the failure of the funding expectations described in the Report will continue to prevent CMHS from breaking out of the cycle of investing operating funds in institutional programs far above those expected in the operating budgets. If the Commission had not been required to expend funds for its professional training program, it would have had approximately \$4.4 million in additional spending authority per year to spend on outplacement initiatives. This amount, coupled with lost federal funding resulting from sequesters would have gone far toward breaking the cycle described above.

Regarding capital funding, it must be recognized that the additional funding requirement described in the Report for on-campus facilities is mostly to fund conversion of buildings to new uses which were described in the Final Mental Health System Plan. In particular, conversion of the Nichols and Haydon buildings for office uses is absolutely necessary to accomplish consolidation of Commission programs on the East Campus. In addition, new information, reflected in the GAO Report, regarding the extent of the requirements for asbestos and PCB abatement far exceed the minimal amounts earmarked for these purposes in the \$27.6 million appropriation passed in FY 1988.

The Commission's interest in directing capital funds to off-campus initiatives represents its effort to make the fundamental goal of creating a community-based system of care a concrete reality. The material originally prepared by CMHS for GAO on off-campus capital funding envisioned significant investment of any forthcoming additional federal funds for additional clinical program facilities, particular acquisition of the Region II Community Mental Health Center (CMHC). This situation has changed somewhat because of the District government's decision to include local capital

funds (\$9.7 million) for this facility in its proposed FY 1991 Capital Budget. This is a very encouraging development because it not only allows the Commission to direct a greater share of any additional federal capital funds to housing initiatives - an item which will be discussed in greater detail below - but it also represents direct, tangible evidence of the District's willingness to invest substantial local funds in capital development of CMHS programs. This commitment should provide persuasive evidence to the Congress that an additional federal contribution is already being "matched" with local funds.

Regarding funding for housing development, the Commissioner is now convinced that outplacement goals enumerated in the Final Plan cannot be achieved absent direct investment of government funds in housing for outplacement eligible patients. While it is likely that future expenditures for rent subsidies can be absorbed within the Commission's operating budget base once significant reductions in the inpatient census have been achieved, the funds necessary to stimulate development of housing opportunities, which now do not exist, is a prerequisite to this support. For this reason, the Commission has developed a plan for subsidizing capital development initiatives which will produce long-term affordable housing as an alternative to institutionalization for chronically mentally disabled persons. This plan will be described during the upcoming hearings. However, availability of an interest free federal appropriation to supplement other sources of capital funds is a crucial part of any plan of this nature because minimization of debt service costs is an essential part of developing affordable housing.

On a more positive note, there is concurrence with GAO's finding that most of the organizational problems experienced during the first two years of Commission operations have been remedied. Commission staff appear to have completed the process of learning District operating procedures and integrating themselves into the District workforce. They now represent one of the more effective components of DHS. Problems with acquisition of supplies and equipment have been resolved with the exception that budgetary constraints still pose difficulties with maintaining adequate levels of non-essential supplies and replacement equipment.

The District Government is very hopeful that the issues discussed in the Report and those discussed above can provide a suitable framework for meaningful dialogue with the House District Committee and for agreements for supplemental financial assistance from the Federal Government which will make the transition contemplated by the Act a reality.

APPENDIX IX

APPENDIX IX

MAJOR CONTRIBUTORS TO THIS REPORT

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